

MARK D. WALDRON  
Chapter 11 Trustee  
6711 Regents Blvd. W., Suite B  
Tacoma, WA 98466  
Telephone: (253) 565-5800

The Honorable Frederick P. Corbit  
Chapter 11

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF WASHINGTON

In Re: )  
GIGA WATT INC. )  
Debtor. )

Case No. 18-03197-FPC11

CHAPTER 11 TRUSTEE'S MONTHLY  
FINANCIAL REPORT FOR JULY 2019

**COMES NOW** Mark D. Waldron, the Court-appointed and acting Chapter 11 Trustee in the above proceeding, and files this Monthly Financial Report for the month of July 2019. Attached to this report are the Ledger Report (Exhibit 1), Operating Statement (Exhibit 2), and bank statement for July 2019 (Exhibit 3), incorporated herein by reference.

Significant developments during reporting period:

1. The Estate continues to operate the Moses Lake facility. Mining revenues were \$378,316.68, with an additional \$35,838.50 of revenue from the subtenant for its rent and proportional obligation for the utilities. Attached hereto and incorporated herein by reference as Exhibit 4 is a detailed narrative report from Court-appointed consultant, Douglas Pratt, regarding Giga Watt's mining operations for July 2019.



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Telephone: 253.565.5800  
email: mark@mwaldronlaw.com

1           2.     Recall that the estate is on an accelerated repayment schedule to the  
2 landlord at the Moses Lake facility. The landlord was owed past due rent, past due power  
3 payments, and other costs and expenses. The landlord also posted a bond and paid the  
4 catchup power payments in order to allow the Debtor to restart operations at Moses Lake.  
5 Rent and utility payments are current and the Trustee continues to aggressively repay the  
6 past due amounts which were owed when the Trustee took over operations. While  
7 Exhibit 2 seems to indicate that there was a loss during the month of July 2019, the  
8 negative number arises only as a result of the Trustee paying additional amounts to the  
9 landlord from cash reserves in order to more rapidly reduce that obligation. The sooner  
10 the landlord is fully repaid, the sooner that the net revenues will be available to benefit  
11 other creditors going forward. Absent accelerated debt repayment, July was a profitable  
12 month.

13           3.     The Trustee is negotiating with several lenders who have indicated an  
14 interest in loaning the Estate up to \$200,000.00 in order to restart operations at the TNT  
15 facilities in East Wenatchee. The Estate has continued to pay current rent to the TNT  
16 landlord. The projections for operating the TNT facility indicate that it should generate net  
17 profit to the estate. Loan documents have been drafted and are being reviewed.

18           4.     The Estate, after the bankruptcy filing, was delinquent on its tax reporting to  
19 the Department of Revenue. The Trustee has now submitted all reports through June  
20 2019 and paid all taxes due. The next report, for the month of July 2019, is being prepared  
21 by the appointed CPA firm, is due by August 25, 2019, and will be timely submitted and  
22 any taxes associated therewith will be timely paid.

23           5.     At month end, the Debtor was not delinquent on any post-petition tax  
24 obligations.




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1 For purposes of calculating the Debtor's obligations under 28 USC 1930(a)(6) to pay  
2 a quarterly fee to the United States Trustee, **TOTAL DISBURSEMENTS** for the month of  
3 July 2019 from all sources were **\$458,656.78**.

4 I certify under penalty of perjury that the information contained in this Monthly  
5 Financial Report is complete, true, and accurate to the best of my knowledge, information  
6 and belief.

7 **DATED** this 13<sup>th</sup> day of August, 2019.

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10 \_\_\_\_\_  
11 MARK D. WALDRON, WSBA# 9578  
12 Chapter 11 Trustee for the Estate of  
13 Giga Watt Inc.  
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## Ledger Report

Case Number: 18-03197-FPC11 FPC  
Case Name: GIGA WATT INC.  
Taxpayer ID #: 81-4797010  
Period: 07/01/19 - 07/31/19

Trustee: Mr. Mark D. Waldron (670070)  
Bank Name: Metropolitan Commercial Bank  
Account: \*\*\*\*\*25 - Checking Account  
Blanket Bond: \$0.00 (per case limit)  
Separate Bond: N/A

Trans. Date	{Ref #} / Check #	Paid To / Received From	Description of Transaction	Ledger Code	Receipts \$	Disbursements \$	Checking Account Balance
07/01/19		Eco Diversified Holdings	July 2019 rent for Pod 8 of Parcel E pods, Moses Lake	4002-00	9,000.00		85,460.10
07/01/19	176	Skyler Simpson	Invoice dated 6-30-19 (through 6-29-19)	6007-013		1,850.00	83,610.10
07/01/19	177	Porfirio Jaimes	Invoice dated 6-30-19 (through 6-29-19)	6007-013		1,517.00	82,093.10
07/01/19	178	Austin Harrison	Invoice dated 6-30-19 (through 6-29-19)	6007-013		2,400.00	79,693.10
07/01/19	179	Allen Oh	Invoices #13 and #14 (through 6-13-19)	6007-013		6,000.00	73,693.10
07/01/19	180	Lauren Miehle	Balance due on invoice dated 6-2-19 (through 5-31-19)	6007-013		5,887.50	67,805.60
07/01/19	181	Lauren Miehle	Reimbursement for costs (invoice dated 6-30-19)	6007-014		217.95	67,587.65
07/01/19	182	Dougs Diesel Repair Inc.	Invoice #44089, repairs to 2000 Ford F650 (Giga Watt, Inc.)	6004-000		557.73	67,029.92
07/02/19	183	TNT Business Complexes, LLC	Lease payment for July 2019, TNT Facility	6003-000		11,600.00	55,429.92
07/05/19		Moses Lake Facility	Mining operations	4001-000	103,495.11		158,925.03
07/09/19		MLDC I, LLC	100% of Moses Lake revenue (through 7-5-19)	6003-000		103,495.11	55,429.92
07/11/19		Moses Lake facility	Mining operations	4001-000	107,286.15		162,716.07
07/15/19	184	U.S. Trustee	Acct #802-18-03197, US Trustee fees for 2nd Quarter 2019	6001-000		10,972.23	151,743.84
07/15/19	185	Heather Mulhall	Storage fees paid for Giga Watt (June - July 2019)	6010-000		155.00	151,588.84
07/15/19	186	Heather Mulhall	Pay for one hour working on Giga Watt matters for Trustee	6010-000		54.00	151,534.84
07/15/19	187	Waste Management of Wenatchee	Customer ID 21-80008-43002, Invoice #0031198-2674-5	6010-000		354.45	151,180.39
07/15/19	188	Waste Management of Wenatchee	Customer ID 19-19019-33003, Invoice #1808489-2674-7	6010-000		124.28	151,056.11

Subtotals : \$219,781.26 \$145,185.25

{ Asset reference(s) }

# Ledger Report

Case Number: 18-03197-FPC11 FPC  
Case Name: GIGA WATT INC.  
Taxpayer ID #: 81-4797010  
Period: 07/01/19 - 07/31/19

Trustee: Mr. Mark D. Waldron (670070)  
Bank Name: Metropolitan Commercial Bank  
Account: \*\*\*\*\*25 - Checking Account  
Blanket Bond: \$0.00 (per case limit)  
Separate Bond: N/A

Trans. Date	{Ref #} / Check #	Paid To / Received From	Description of Transaction	Ledger Code	Receipts \$	Disbursements \$	Checking Account Balance
07/15/19	189	Waste Management of Wenatchee	Customer ID 19-27751-03004, Invoice #0031193-2674-6	6010-000		25.54	151,030.57
07/15/19	190	Skyler Simpson	Invoice dated 7-14-19 (through 7-12-19)	6007-013		1,825.00	149,205.57
07/15/19	191	Austin Harrison	Invoice dated 7-14-19 (through 7-12-19)	6007-013		2,400.00	146,805.57
07/15/19	192	Porfirio Jaimes	Invoice dated 7-14-19 (through 7-12-19)	6007-013		1,498.50	145,307.07
07/15/19	193	Allen Oh	Invoices #15, #16 and #17 (through 7-5-19)	6007-013		9,000.00	136,307.07
07/15/19	194	Lauren Miehle	Invoices dated 6-16-19 & 6-30-19 (through 6-28-19)	6007-013		12,150.00	124,157.07
07/15/19	195	Lauren Miehle	Reimbursement of costs (Invoice dated 7-14-19)	6007-014		200.01	123,957.06
07/15/19		MLDC I, LLC	77% of Moses Lake revenue (through 7/11/19)	6003-000		82,610.34	41,346.72
07/18/19		Moses Lake facility	Mining operations	4001-000	86,061.42		127,408.14
07/22/19		Eco Diversified Holdings	Utilities for June 2019, Pod 8 of Parcel E pods, Moses Lake facility	4099-000	26,838.50		154,246.64
07/22/19	196	Washington State Department of Revenue	604-067-749, Giga Watt, Inc. B&O taxes due for March 2019	6006-002		375.61	153,871.03
07/22/19	197	Washington State Department of Revenue	604-067-749, Giga Watt, Inc. B&O taxes due for April 2019	6006-002		3,641.98	150,229.05
07/22/19	198	Washington State Department of Revenue	604-067-749, Giga Watt, Inc. B&O taxes due for May 2019	6006-002		6,054.47	144,174.58
07/22/19	199	Washington State Department of Revenue	604-067-749, Giga Watt, Inc. B&O taxes due for June 2019	6006-002		6,158.65	138,015.93
07/22/19	200	Stretto	Invoice #3013, Giga Watt, Inc.	6007-000		18,083.40	119,932.53
07/22/19		MLDC I, LLC	77% of Moses Lake revenue (through 7-18-19)	6003-000		66,267.29	53,665.24
07/24/19	201	TNT Business Complexes, LLC	Lease payment for August 2019, TNT Facility	6003-000		11,600.00	42,065.24
07/24/19	202	Cascade Equipment Sales, LLC	Invoice #2169, Trailer rental July and August	6004-000		2,000.00	40,065.24
Subtotals :					\$112,899.92	\$223,890.79	

{ Asset reference(s)

# Ledger Report

Case Number: 18-03197-FPC11 FPC  
Case Name: GIGA WATT INC.  
Taxpayer ID #: 81-4797010  
Period: 07/01/19 - 07/31/19

Trustee: Mr. Mark D. Waldron (670070)  
Bank Name: Metropolitan Commercial Bank  
Account: \*\*\*\*\*25 - Checking Account  
Blanket Bond: \$0.00 (per case limit)  
Separate Bond: N/A

Trans. Date	{Ref #} / Check #	Paid To / Received From	Description of Transaction	Ledger Code	Receipts \$	Disbursements \$	Checking Account Balance
07/25/19		Moses Lake facility	2019 (cleanup of Rock Island)	4001-000	81,474.00		121,539.24
07/29/19		MLDC I, LLC	Mining operations	6003-000		62,734.98	58,804.26
07/30/19	203	Lauren Mieh	77% of Moses Lake revenue (through 7-25-19)	6007-013		11,793.75	47,010.51
07/30/19	204	Lauren Mieh	Balance of invoice dated 7-14-19 and invoice dated 7-28-19 (through 7-24-19)	6007-014		43.93	46,966.58
07/30/19	205	Allen Oh	Reimbursement of costs (invoice dated 7-28-19)	6007-013		9,000.00	37,966.58
07/30/19	206	Allen Oh	Invoices #18, 19 and 20 (through 7-26-19)	6007-014		69.33	37,897.25
07/30/19	207	Austin Harrison	Reimbursement of costs (Invoice #18 dated 7-13-19)	6007-013		2,400.00	35,497.25
07/30/19	208	Skyler Simpson	Invoice dated 7-28-19 (through 7-26-19)	6007-013		2,012.50	33,484.75
07/30/19	209	Porfirio Jaimes	Invoice dated 7-28-19 (through 7-27-19)	6007-013		1,526.25	31,958.50
<b>ACCOUNT TOTALS</b>					<b>1,601,178.94</b>	<b>1,569,220.44</b>	<b>\$31,958.50</b>

## TOTAL - ACCOUNT \*\*\*\*\*25

Balance Forward	76,460.10				
2 Deposits	35,838.50	34 Checks	143,549.06		
0 Interest Postings	0.00	4 Adjustments Out	315,107.72		
Subtotal	\$112,298.60	0 Transfers Out	0.00		
4 Adjustments In	378,316.68	Total	\$458,656.78		
0 Transfers In	0.00				
Total	\$490,615.28				

**Operating Statement**

Period: 07/01/19 - 07/31/19

**EXHIBIT 2****Income**

4001-000 Revenue from Operating Business	\$378,316.68
4002-00 Rents	\$9,000.00
4099-000 Other Receipts	\$26,838.50
<b>Total Income</b>	<b>\$414,155.18</b>

**Expenses**

6001-000 US Trustee Fees	\$10,972.23
6003-000 Admin. Rent	\$338,307.72
6004-000 Costs to Secure/Maintain Property	\$2,557.73
6006-002 Taxes - State	\$16,230.71
6007-000 Professional Fees & Expenses	\$89,875.12
6010-000 Other Expenses	\$713.27
<b>Total Expenses</b>	<b>\$458,656.78</b>
<b>Net Income Before Distribution to Claims</b>	<b>\$-44,501.60</b>

Mr. Mark D. Waldron  
6711 Regents Blvd West  
Tacoma WA 98466

Case Number

Case Name

Trustee Number

Trustee Name

Period Covered:  
June 29, 2019 - July 31, 2019  
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18-03197-FPC11

GIGA WATT INC

DEBTOR

670070

Mr. Mark D. Waldron

TRUSTEE

Questions:  
800.634.7734

banking.services@stretto.com  
www.stretto.com

**Consolidated Balance Summary**

Account	Number	Ending Balance Prior Period	Ending Balance This Period
Checking Account			
TRUSTEE CHECKING	██████████ 9625	\$86,235.70	\$90,487.66
<b>Total</b>		<b>\$86,235.70</b>	<b>\$90,487.66</b>

**Notable Information For You...**

Outgoing Wire Transfers: Requests for outgoing wire transfers are to be initiated through Metropolitan Online Banking. For same day processing, you must initiate the wire no later than 5:00 pm EST (domestic wires) and 4:45pm EST (Foreign wires). Any later wire requests will be processed the next business day.  
Incoming Wire Transfers: Incoming wires may be received until 6:30 p.m. EST. Once Metropolitan Bank receives an incoming wire, the funds will be credited into your account immediately and an official wire confirmation will be emailed to you.

**RECEIVED**

**AUG 07 2019**

Law Offices of  
Mark D. Waldron, PLLC

Period Covered:  
June 29, 2019 - July 31, 2019  
Page 2 of 11

Mr. Mark D. Waldron  
6711 Regents Blvd West  
Tacoma WA 98466

Case Number  
Case Name

18-03197-FPC11  
GIGA WATT INC  
DEBTOR

Trustee Number  
Trustee Name

670070  
Mr. Mark D. Waldron  
TRUSTEE

Questions:  
800.634.7734  
banking.services@stretto.com  
www.stretto.com

**TRUSTEE CHECKING**

Account Number: [REDACTED] 9625

Enclosures

26	Beginning Balance	\$86,235.70
	+Total Additions	\$414,155.18
	-Total Subtractions	\$409,903.22
	Ending Balance	\$90,487.66

\* Indicates a Skip in Check Number(s)  
"E" Indicate an Electronic Check

**Checks**

Check #	Date	Amount
170	07-17	\$7,375.60
173*	07-01	\$2,400.00
176*	07-09	\$1,850.00
177	07-08	\$1,517.00
178	07-11	\$2,400.00
179	07-09	\$6,000.00
180	07-08	\$5,887.50
181	07-08	\$217.95
182	07-09	\$557.73
183	07-11	\$11,600.00
184	07-22	\$10,972.23
185	07-23	\$155.00
186	07-23	\$54.00
187	07-23	\$354.45
188	07-23	\$124.28
189	07-23	\$25.54
190	07-24	\$1,825.00
191	07-25	\$2,400.00
192	07-22	\$1,498.50
193	07-23	\$9,000.00
194	07-22	\$12,150.00
195	07-22	\$200.01
196	07-29	\$375.61
197	07-29	\$3,641.98
198	07-29	\$6,054.47
199	07-29	\$6,158.65

**Debits**

Date	Description	Subtractions
07-09	WIRE TO MLDC 1 LLC	\$103,495.11
07-15	WIRE TO MLDC 1 LLC	\$82,610.34
07-22	WIRE TO MLDC 1 LLC	\$66,267.29

Period Covered:  
June 29, 2019 - July 31, 2019  
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**Date**  
07-29

**Description**  
WIRE TO MLDC 1 LLC

**Subtractions**  
\$62,734.98

**Credits**

Date	Description	Additions
07-02	REMOTE DEPOSIT REF#0100007	
07-05	WIRE FROM COINME INC	\$9,000.00
07-11	WIRE FROM COINME INC	\$103,495.11
07-18	WIRE FROM COINME INC	\$107,286.15
07-23	REMOTE DEPOSIT REF#0100008	\$86,061.42
07-25	WIRE FROM COINME INC	\$26,838.50
		\$81,474.00

**Daily Balances**

Date	Amount	Date	Amount	Date	Amount
07-01	\$83,835.70	07-02	\$92,835.70	07-05	\$196,330.81
07-08	\$188,708.36	07-09	\$76,805.52	07-11	\$170,091.67
07-15	\$87,481.33	07-17	\$80,105.73	07-18	\$166,167.15
07-22	\$75,079.12	07-23	\$92,204.35	07-24	\$90,379.35
07-25	\$169,453.35	07-29	\$90,487.66		

# EXHIBIT 4

**Diana Atkins**

---

**From:** Douglas Pratt <douglas.pratt@gmail.com>  
**Sent:** Tuesday, August 13, 2019 11:19 AM  
**To:** Mark Waldron; Diana Atkins; Lauren Mieh; Allen Oh  
**Subject:** Re: Short narrative on June revenue  
**Attachments:** GigaWatt July 2019 Report.doc

Here's my report for mining at Gigawatt for July.

For the calendar month of July 2019, the Moses Lake Data Center (MLDC) generated gross revenue of \$412,000 which represented a drop of revenue from June 2019 of \$446,876, an 8% drop month on month. While revenue from Bitcoin mining grew by 10% month on month, growing to \$226,299, Litecoin revenue dropped by 17% to \$48,115 and Ethereum mining dropped to \$137,585, a 25% drop in revenue month on month.

Going forward in August we are faced with three major challenges.

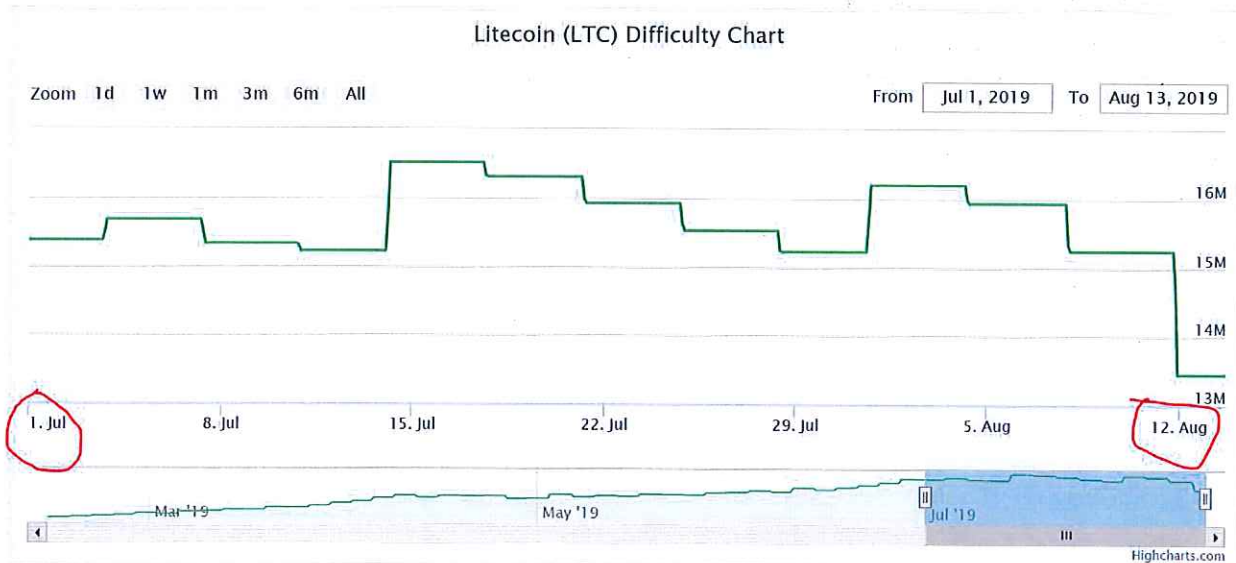
- 1) The Litecoin block reward reduction by 50% starting August 6<sup>th</sup>. This will significantly cut Litecoin revenue as the number of coins being mined from rewards will be halved.
- 2) Market price pressure. The bulk of altcoins appear to be decoupling from Bitcoin price and Litecoin and Ethereum appear to be dropping as Bitcoin stays around the \$11-12K mark. This is a particularly toxic mix when the price of Litecoin stays stable or drops and the mining reward is halved. It would not be unreasonable to expect revenues from the last three weeks of August to be reduced by 50% for Litecoin. Ethereum price also continues to drop.
- 3) Technology obsolescence. All of the current technologies deployed for Bitcoin, Litecoin and Ethereum were released over two years ago. Bitmain, the manufacturer of the MLDC bitcoin miners, has released their next generation Bitcoin miner which has 4x more mining capability and has increased electrical efficiency. Litecoin miners from other manufacturers have increased efficiency over the deployed Litecoin miners and newer Ethereum miners are also being deployed worldwide.

However, there is an enormous ongoing competitive advantage that the MLDC currently enjoys in the ability to mine at \$0.03/kwh.

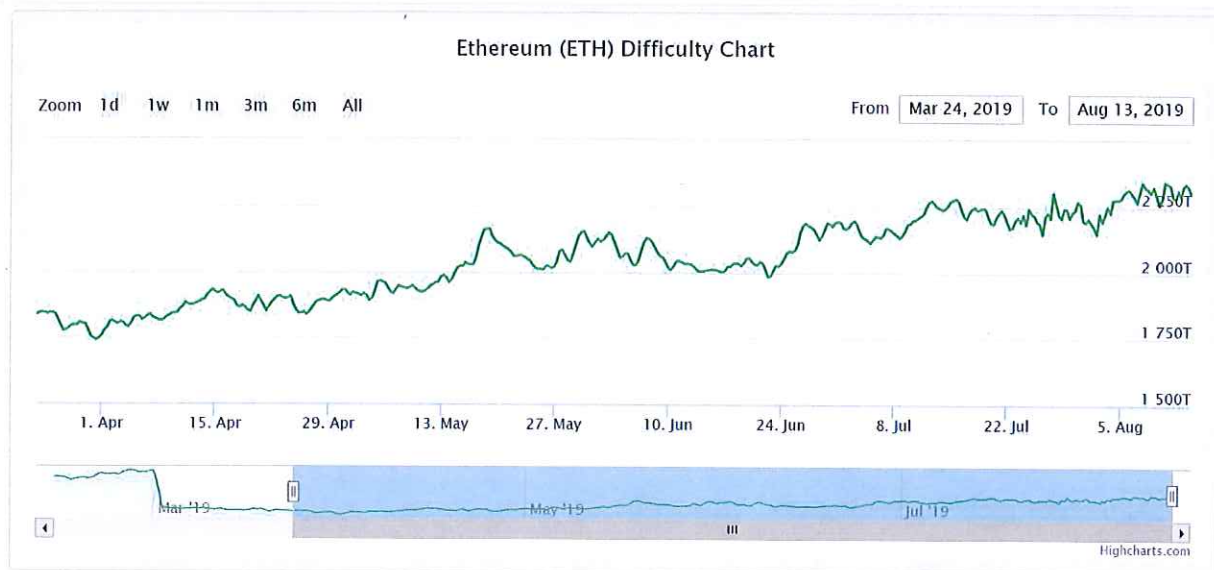
One of the side benefits of the dropping of price of many altcoins, and the Litecoin block halving, is that mining operations that have power costs over \$0.04/kwh are turning their machines off worldwide. As they turn off their machines, competition for the block rewards drop and we could again see our Litecoin revenues increase. While no one can really forecast the future price of any coin, we can actively monitor the number of machines mining worldwide and we are already seeing machines turn off.

## Litecoin:

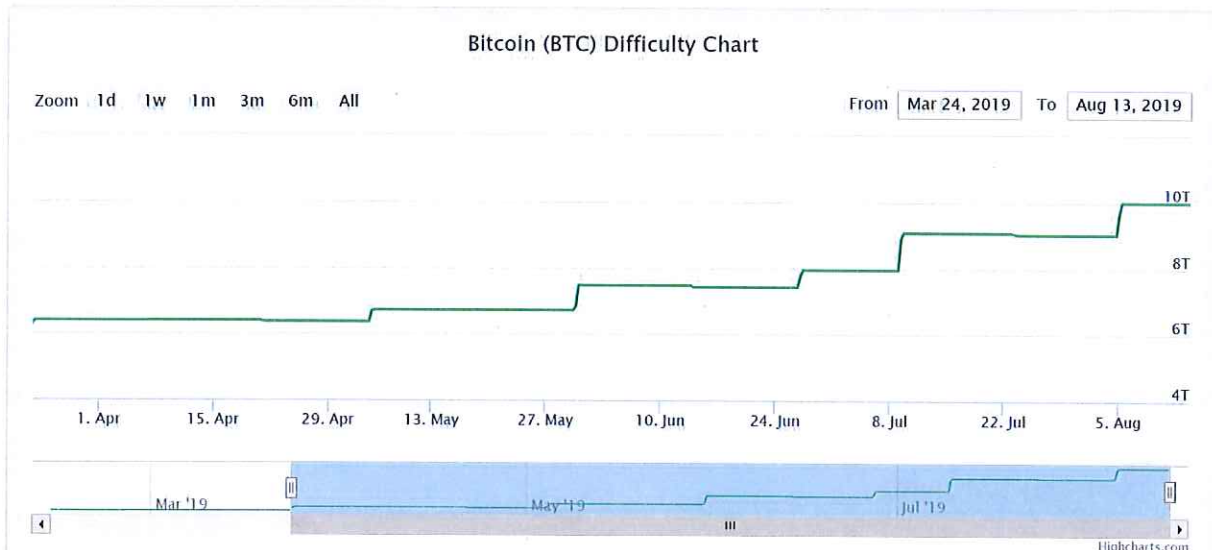
On August 6<sup>th</sup>, the block reward halved and we already see (red arrow) that the number of miners worldwide is beginning to drop due to the drop in profitability. It's not clear at this writing where the bottom will be and we will report on this in August.



Ethereum: Investment in Ethereum mining continues as the difficulty continues to increase since March 24<sup>th</sup> with newer technologies as evidenced by the chart below. We can continue to expect month on month drops in revenue from Ethereum if market prices stay the same or drop.



Bitcoin: If prices remain stable, we will experience drops in monthly revenue as more and newer equipment comes online worldwide.



**Power Efficiency & Cost Cutting:** We have identified and tested a new software load for the Litecoin miners that reduces the power draw by over 10%, which will reduce power costs helping offset the reduced revenue. Additional testing is being done on new software for Bitcoin to reduce power costs as well but are not complete. Attention will need to be diverted to the Ethereum miners to find addition efficiencies as well to mitigate reducing revenue against new technologies and mining farms.

**Competition:** Expect new Ethereum and Bitcoin miners to continue to be purchased and deployed worldwide. We will need to closely observe the difficulty rate for Litecoin mining to determine what is happening in August with purchase of new Litecoin miners. Even with increasingly obsolete technology at the MLDC, the \$0.03/kwh in part neutralizes the advantage of newer and more efficient miners when they mine at higher \$/kwh costs.

Additionally, with reduced block rewards AND the lower prices, the sales of newer mining equipment are slowed because the return of investment (ROI) (or return of capital) becomes extended.

For Bitcoin over the last 90 days, the difficulty in receiving block rewards has increased nearly 50%. Litecoin difficulty only increased 14% (and is now dropping) and Ethereum increased by 13% over the same 90-day period.

In summary, assuming digital currency prices remain steady, expect a significant drop in revenue for August for Litecoin, a continuing slow erosion of revenue from Ethereum and a continuing slow reduction of revenue month on month for Bitcoin.